



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Friday, March 7, 2003

Grassley Seeks Answers on IRS Audit of Watchdog Group

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, has asked the Internal Revenue Service to explain allegations from a very credible source that the agency may be unfairly auditing a government watchdog group.

"I'm chairman of the Senate committee with jurisdiction over the IRS," Grassley said. "If credible allegations of IRS mistreatment of taxpayers or non-profit groups come to my attention, I'm obligated to investigate those allegations. That's what I'm doing here."

In recent weeks, Grassley heard concerns expressed by former IRS Commissioner Donald Alexander, a well-respected senior member of the tax bar known for his outspoken views. Based on his experience, Alexander has stated he believes the IRS has been heavy-handed in regard to Judicial Watch. Grassley has written to the IRS, asking for information that would enable him to understand the situation and render his own judgment.

Grassley said he was careful in his letter to ask questions to gather information about the IRS' dealings with Judicial Watch, not to render judgment or intervene in an ongoing case.

"I'm interested in any credible allegations of poor treatment by the IRS of taxpayers or non-profit groups," Grassley said. "We have an obligation to try to make sure the IRS is fair and reasonable."

The text of Grassley's letter to the IRS follows.

February 27, 2003

Mr. Bob Wenzel
Acting Commissioner
Internal Revenue Service
1111 Constitution Ave. NW
Washington, D.C. 20224

Dear Commissioner Wenzel:

I am writing to you regarding the Internal Revenue Service's (IRS) audit of Judicial Watch Inc. ("Judicial Watch"), a 501(c)(3) organization.

Former IRS Commissioner Donald Alexander made a declaration to the U.S. District Court for the District of Columbia on May 6, 2002, regarding the IRS' audit of Judicial Watch. In his declaration, Mr. Alexander stated that at the request of Judicial Watch he had reviewed a series of documents related to the IRS' audit of Judicial Watch.

After reviewing the documents, Mr. Alexander's opinion is as follows:

- 1) the circumstances surrounding the IRS' audit of Judicial Watch are unusual and deviate from the procedures and practices normally followed by the IRS when investigating and auditing 501(c)(3) tax-exempt organizations;
- 2) the breadth and scope of the IRS' audit and the information and documents requests accompanying the audit notices to Judicial Watch are significantly greater than what is usually encountered with IRS audits of 501(c)(3) organizations and **beyond any audit I have been involved with in my career as a tax practitioner;** and
- 3) the IRS' summons and document information requests to Judicial Watch in connection with the audit are excessively broad and overreaching in their scope.

(Emphasis added).

Mr. Alexander's sterling integrity is well known in the tax community. His statements are therefore very disturbing given that they call into question the appropriateness and propriety of the IRS' actions in this matter.

To ensure that the IRS is performing its audit function in a fair and impartial manner that is expected by American taxpayers, I request that you please provide the Finance Committee all documents that refer or relate to the audit of Judicial Watch. This request would encompass any audit, prospective audit, request for an audit or consideration of an audit of Judicial Watch.

In responding to this request please provide all: 1) e-mail; 2) fascimiles; 3) fascimile logs; 4) correspondence; 5) memoranda; 6) telephone logs; 7) notes; 8) working papers; 9) audit files; 10) reports; 11) Executive Control Managements System documents; 12) communications to and from IRS and third-party governmental and non-governmental agencies, offices, or personnel, including the White House; and, 13) correspondence, memoranda and other documents relating to communications between or among employees or representatives of the IRS, the Department of the Treasury and/or the Department of Justice.

This request should include any information that is protected by 26 U.S.C. 6103. As Chairman, I designate that Mr. Dean Zerbe and Mr. Robert Kerr of the Finance Committee may

receive and review any 6103 material received pursuant to this request.

Thank you for your time and courtesy, I ask for this material in two weeks.

Cordially yours,

Charles E. Grassley
Chairman

cc: Senator Baucus
Ranking Member